

## **REMARKS**

Reconsideration of this application is respectfully requested in view of the foregoing amendment and the following remarks.

Claims 1 and 3-30 were pending in this application. Claims 1, 8, 14, 16, 17, 21, 25, 26 and 30 have been amended hereby to even more clearly recite features of the present invention. Support for the amendments to the claims can be found, for example, on pages 14, 25, 28 and 35 of the specification and Figure 7 of the present application. No new matter has been entered. Claims 1 and 3-30 will remain pending herein upon entry of this Amendment and are believed to be allowable over the cited prior art for the reasons stated below.

In the Office Action, claims 21-26 and 28-30 were rejected under 35 U.S.C. §102(e) as being anticipated by Godin et al., U.S. Patent 6,266,652; and claims 1, 3-20 and 27 were rejected under 35 U.S.C. §103(a) as being unpatentable over Godin. To the extent these grounds of rejection might still be applied to claims presently pending in this application, they are respectfully traversed.

## **DISCUSSION OF THE INVENTION**

As explained many times in person and in formal responses, the present invention is directed to systems and methods for improving the initial offerings of multi-class instruments, such as multi-class financial instruments.

Conventionally, in the financial industry, an underwriter that is interested in offering multi-class instruments must purchase underlying collateral and then attempt to sell various classes of multi-class instruments in a way that the underwriter determines to be the most

enticing to investors. Significantly, to be successful, the underwriter must sell all of the classes at a predetermined target price. Accordingly, the underwriter is highly susceptible to significant risks before and until all of the classes are sold.

As discussed at page 11, lines 10-17 of the present application, while electronic trading systems have been developed for various financial products, these systems are designed to handle only a single class of an instrument at a time.

To improve upon the state of the art, the present invention provides a system and method that enables an underwriter to enter a detailed description of underlying collateral, a description of associated classes and details of cash flow allocation rules for each of the classes, as well as administrative costs and the underwriter's target profit. This information is then used in a substantially real-time electronic exchange in which investors send bid information, including a desired amount of the class offering and price, to the underwriter for further analysis. A result of this analysis includes the possibility of translating offerings of one type into another type to thereby adjust (or equalize) the cash flows of given classes of a multi-class instrument to encourage the instrument's overall desirability to investors participating in the transaction. Once the analysis is complete and equalization is performed, the class or classes are re-offered to investors. In other words, a bid by an investor for one class causes a new offer for another class to be generated (price and amount equalization for purposes of re-offering new classes). The system then indicates or signals to the underwriter precisely how much underlying collateral will be necessary to underwrite the several "reconstituted" classes of the multi-class instrument that

have been "sold." Pages 30-34 of the present application set forth a detailed scenario consistent with the present invention.

Thus, unlike the prior art, the present invention provides a system that avoids the risks to underwriters inherent in current market practice. Specifically, in accordance with the present invention, underwriters need not risk capital until all classes, or some minimum amount of at least some of the classes, have been "sold." The system and method directly adapt to changing market conditions so that the underwriter bears little, if any, market risk.

To achieve the objectives of the present invention, a "structure database" is preferably loaded with definitions or characterizations of the various classes of the offered multi-class instrument, the underlying collateral, cash flow allocation rules, class structure, desired arbitrage profit and other parameters, including, the face value of individual classes and specific information about the underlying collateral. With the foregoing information properly stored, the present invention preferably presents each class to potential investors, preferably separately, as indicated on page 22, lines 4-13 of the present application. Investors are then given the opportunity to bid on the individual classes that are presented to them, as illustrated in Figure 4 of the present application.

Then, unlike prior art systems, the present invention receives bids and, in response to those bids, repackages or reconstitutes the actual offerings by modifying the structure database and re-presenting different/new classes to investors, while at the same time determining how much underlying collateral will be necessary to underwrite the reconstituted classes (offerings). Thus, the present invention not only handles several different classes of a multi-class instrument

simultaneously, but it also "plays" one class against another to obtain the best price point and terms for each of the classes of the multi-class instrument. Perhaps most important, the present invention provides the ability to form completely new classes, on the fly, by receiving bids and offering new classes in response to the received bids.

As will be discussed in detail below, the claims of the present application have been amended to even more clearly recite the foregoing features. These features are neither disclosed nor suggested by the prior art of record.

### **THE PRIOR ART**

Godin et al. describe a computer auction system and, more particularly, a classic reverse auction that operates over the Internet. Once a buyer indicates a willingness to purchase a product, that buyer is removed from the auction process. Godin et al. teach selling individual products. Godin et al., col. 3, lines 33-48. For instance, a given product can be identified by a UPC code. Godin et al., col. 3, line 36. Figure 9 shows a coffeemaker and a backpack (the latter being "next on the block"). Figure 10 shows a car being auctioned.

Godin et al. do describe at col. 7, line 65 to col. 8, line 9, how the computer system can "track the price demand nature" of a given product and how that "provides valuable marketing information to the manufacturer." Godin et al. further describe providing a "conventional price demand curve for the particular product." Notably, however, Godin et al. do not describe or suggest how the use of the price demand nature or demand curve for a particular product may be used to sell a completely different product. Moreover, Godin et al. do not describe purchasing one product in order to price, to sell and even to generate another, different, product.

### **THE PENDING CLAIMS**

In an effort to even more clearly distinguish the prior art from the claimed subject matter, and in view of the fact that the Patent Office has, in Applicants' view, time and again failed to appreciate the difference between, on the one hand, a simple online single-product auction (Halbert et al., Woolston, and now Godin et al.) and, on the other hand, the sophisticated multi-class financial instrument initial offering system in accordance with the claimed invention, Applicants have elected to amend each of the independent claims.

As discussed above, a fundamental principal of the present invention is that the system can translate offerings of one type into an offering of another type, in response to received bids, to thereby adjust (or equalize) the cash flows of given classes in a multi-class instrument. This is possible, in accordance with the present invention, by employing underlying collateral that is reconstituted into differently-formed classes, which, in an iterative fashion, become increasingly desirable to investors who, ultimately, commit to buying or investing in the offered classes.

To emphasize these points, the independent claims of the present application now recite all, or a subset, of the following limitations:

- the underlying collateral has a form different from either of the at least two classes,
- the underlying collateral is used to collateralize both of the at least two classes, and
- the amount of underlying collateral is purchased only after commitments are received to invest in the at least two classes.

The claims have also been amended in other ways as well to even more clearly emphasize the clearly novel features of the present invention.

Godin et al. simple fail to disclose anything like the limitations now recited in the claims. Godin et al. does not, for example, disclose buying a coffemaker in order to sell a car (underlying collateral is different from classes being sold). Indeed, this is ludicrous in view of the disclosure of Godin et al.

Godin et al. also do not, for example, disclose that what is being bought by the underwriter (collateral in the present invention), is then used to sell two different products (two different classes). Once again, this would make no sense in the context of the description of the single product auction of Godin et al.

Finally, Godin et al. do not, for example, disclose buying a third product after "selling" a first and second product (underlying collateral is purchased only after commitments are received to invest in the least two classes, wherein the two classes are different from each other).

Applicants respectfully submit that the claims as they presently stand (not to mention how the claims stood prior to the instant Amendment) are clearly patentable over Godin et al., or any other prior art of record in this application.

For at least these reasons, Applicants respectfully request that §102 and §103 rejections of the claims based on Godin et al. be reconsidered and withdrawn.

Should the Patent Office find it necessary to issue yet another Office Action in this case, Applicants respectfully request that they be given an opportunity to conduct a personal interview

with the Examiner and her supervisor. Accordingly, Applicants respectfully request that the Examiner contact the undersigned before issuing any new Office Action.

In view of the foregoing all of the claims in this case are believed to be in condition for allowance. Should the Examiner have any questions or determine that any further action is desirable to place this application in even better condition for issue, the Examiner is encouraged to telephone applicants' undersigned representative at the number listed below.

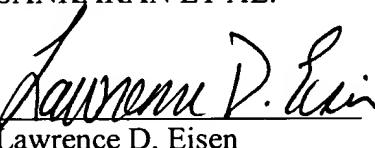
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Respectfully submitted,

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Attachments:

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